

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: SPA #03-07	2. STATE Kansas
FOR: HEALTH CARE FINANCING ADMINISTRATION		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE April 1, 2003	
5. TYPE OF PLAN MATERIAL (<i>Check One</i>):			
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (<i>Separate Transmittal for each amendment</i>)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 405 42 CFR 430.12		7. FEDERAL BUDGET IMPACT: a. FFY 2003 \$ 0 b. FFY 2004 \$ (267,000)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B, #2.c., Pages 4 & 7 Attachment 4.19-B, #2.b., Pages 4 & 7		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): Attachment 4.19-B, #2.c., Pages 4 & 7 Attachment 4.19-B, #2.b., Pages 4 & 7	
10. SUBJECT OF AMENDMENT: Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)			
11. GOVERNOR'S REVIEW (<i>Check One</i>):			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Janet Schalansky is the Governor's Designee	
12. SIGNATURE OF STATE AGENCY OFFICIAL: //Janet Schalansky – signature//		16. RETURN TO: Janet Schalansky, Secretary Social & Rehabilitation Services Docking State Office Building 915 SW Harrison, Room 651S Topeka, KS 66612-2210	
13. TYPED NAME: Janet Schalansky			
14. TITLE: Secretary			
15. DATE SUBMITTED: 04/03/03			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 04/03/03		18. DATE APPROVED: 04/30/03	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 04/01/03		20. SIGNATURE OF REGIONAL OFFICIAL: //Thomas W. Lenz --Signature//	
21. TYPED NAME: Thomas W. Lenz		22. TITLE: ARA for Medicaid & Children's Health	
23. REMARKS: cc: CO DSG/DIATA			

approved: 04/30/03
effective: 04/01/03

Methods & Standards for Establishing Payment Rates**Federally Qualified Health Clinics**

3. Technical components of Radiology and EKG.
4. Health care services performed by outside entities, including those entities which are owned by the center's owner(s) or staff. These include but are not limited to Lab, Radiology, EKG, Pharmacy, PT, and psychotherapy. The State Plan requires that providers of these services bill Medicaid directly.

II. REIMBURSEMENT METHODS

Effective January 1, 2001, the Kansas Medicaid Program implemented the prospective payment system (PPS) for rural health clinics to conform with BIPA 2000. There are no retroactive cost settlements under this system. As an alternative to the PPS, providers are offered the opportunity for reimbursement under a modified cost-based system (CBS) on facility fiscal year basis. This methodology combines features of a cost-based system with the PPS payment level mandated by BIPA. Under this system, FQHCs are paid the greater of cost-based or PPS-based reimbursement through retroactive settlements. To receive reimbursement under the alternative system on a fiscal year basis, providers are required to submit a written request according to the schedule outlined in II.B.

This written request is only necessary once. By written request, providers may at any time change their choice of reimbursement methods in accordance with the schedule provided in II.B.

A. Definitions

1. **Rate** - Payment for each qualified encounter or visit.
2. **Base Years or FY 1 & FY 2 - Current Providers** - Facility fiscal years 1999 and 2000.
3. **Base Years or FY 1 & FY 2 - New Providers** - Two facility FY's subsequent to the first year of business as a federally qualified health center.
4. **Cost-Based Rate or Payment** - Based on reasonable cost of covered services.
5. **Baseline Rate** - Average of cost-based rates from the base years.
6. **MEI** - Percentage increase in the Medicare Economic Index for primary care services.
7. **PPS Rate or Payment** - Meets PPS requirements outlined in the BIPA 2000.
8. **Non-PPS Rate or Payment** - Does not meet BIPA requirements.
9. **Preliminary** - Derived from unaudited cost report(s) or from only one base year.
10. **Final or Finalized** - Derived from audited cost report(s) or from both base years.

B. Criteria for Election of the Alternative Payment Option

1. For facility Fiscal Years Beginning Prior to October 1, 2001 B The request must be received in our office no later than July 27, 2001 or as decided by the state at a later time.
2. For Facility Fiscal Years Beginning On or After October 1, 2001 B The request should be received in our office no later than forty five (45) days prior to the beginning of the facility fiscal year.

KANSAS MEDICAID STATE PLAN

Attachment 4.19-B
#2.c., Page 7

Methods & Standards for Establishing Payment Rates

Federally Qualified Health Clinics

Area (MSA) as defined by the Department of Commerce, with an adjustment for dental services since they are not provided by all FQHCs.

F. Change in Scope of Services

To receive a PPS rate adjusted for a proposed increase or decrease in the scope of covered FQHC & dental services in a future fiscal year as compared to the current year, a provider shall be required to submit a proposal which should include enough information to facilitate an evaluation of the proposed change and its effect on the rate. At a minimum, this shall include a description of the change, budgeted expenditure, and change in total number of visits. Any rate change would be implemented on the first of the month following the SRS decision.

IV. ALTERNATIVE METHODOLOGY – “MODIFIED COST-BASED SYSTEM” (CBS)

Under this reimbursement system, interim payments shall be reconciled to the higher of cost-based or PPS-based amount through fiscal year end retroactive cost settlements.

A. Payment Rates Effective January 1, 2001 to September 30, 2001

Prior to HCFA approval of this state plan amendment, Medicaid has continued to pay rates that were effective on December 31, 2000. These will be changed to PPS baseline rates when they are computed (see III.B.2).

B. Payment Rates Effective October 1, 2001 to September 30, 2002

Baseline rates effective on September 30, 2001 times the MEI index.

C. Payment Rates Effective Each October 1 After September 30, 2002

The PPS rates effective on the previous day (September 30) adjusted for the MEI index.

D. Retroactive Cost Settlement

1. **Cost-Based Medicaid Cost:** It is total reasonable cost of covered services furnished to eligible Program beneficiaries during the facility fiscal year. It will be determined by applying the cost-based rate determined from the cost report to total covered Medicaid visits obtained from the fiscal agent records.
2. **PPS-Based Medicaid Cost:** It is the amount that the provider would have received for covered services furnished to eligible Program beneficiaries during the facility fiscal year under the PPS option. It will be determined by applying the PPS rate(s) to total covered Medicaid visits.
3. **Total Payment Received by Provider:** It consists of Medicaid payment and third party liability payments obtained from fiscal agent records; and any other related transaction.
4. **Overpayment or (Underpayment):** The greater of cost-based or PPS-based Medicaid cost minus total payment received by the provider will be the settlement paid to or (due from) the provider.

TN # MS #03-07 Approval Date 04/30/03 Effective Date 04/01/03 Supersedes TN # 01-04

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Attachment 4.19-B

#2.b., Page 4

Methods & Standards for Establishing Payment Rates Rural Health Clinics

4. Health care services performed by outside entities, including those entities which are owned by the clinic's owner or staff. These include but are not limited to Lab, Radiology, EKG, Pharmacy, PT, and psychotherapy. The state plan requires that providers of these services bill Medicaid directly.

II. REIMBURSEMENT METHODS

Effective January 1, 2001, the Kansas Medicaid Program implemented the prospective payment system (PPS) for rural health clinics to conform with BIPA 2000. There are no retroactive cost settlements under this system. As an alternative to the PPS, providers are offered the opportunity for reimbursement under a modified cost-based system (CBS) on facility fiscal year basis. This methodology combines features of a cost-based system with the PPS payment level mandated by BIPA. Under this system, RHCs are paid the greater of cost-based or PPS-based reimbursement through retroactive settlements. To receive reimbursement under the alternative system on a fiscal year basis, providers are required to submit a written request according to the schedule outlined in II.B.

This written request is only necessary once. By written request, providers may at any time change their choice of reimbursement methods in accordance with the schedule provided in II.B.

A. Definitions

1. **Rate** - Payment for each qualified encounter or visit.
2. **Base Years or FY 1 & FY 2 - Current Providers** - Facility fiscal years 1999 and 2000.
3. **Base Years or FY 1 & FY 2 - New Providers** - Two facility fiscal years subsequent to the first year of business as a rural health clinic.
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5. **Baseline Rate** - Average of cost-based rates from the base years.
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7. **PPS Rate or Payment** - Meets PPS requirements outlined in the BIPA 2000.
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Attachment 4.19-B

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Methods & Standards for Establishing Payment Rates

Rural Health Clinics

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The PPS rates effective on the previous day (September 30 of the same year) adjusted for the MEI index.

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